

Message Text

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TO AMEMBASSY LONDON IMMEDIATE

S E C R E T STATE 051257

EXDIS TOSEC 106 FOR ATHERTON WITH SECRETARY'S PARTY

FOLLOWING REPEAT KUWAIT 1055 ACTION SECSTATE

INFO JIDDA TEHRAN LONDON ALGIERS

QUOTE

S E C R E T KUWAIT 1055

EXDIS

E.O. 11652: GDS

TAGS: ENRG, KU

SUBJECT: KUWAITI TAKE-OVER OF KUWAIT OIL COMPANY

REF: KUWAIT 1037

1. KUWAITI PRESS MARCH 6 HEADLINES "KUWAIT TAKES OVER KOC" AND PROCEEDS TO REPORT GOK REQUEST THAT GULF AND BP COME TO KUWAIT TO BEGIN NEGOTIATIONS. PRESS ALSO QUOTES KUWAITI OIL MIN KAZEMI IN ALGIERS AS SAYING "FROM THIS MOMENT STATE OF KUWAIT HAS BECOME OWNER OF ALL SHARES HELD UP TO NOW BY THESE COMPANIES."

2. I CALLED MIN OF FINANCE ATEEQI TO ASK FOR HIS COMMENT. ATEEQI SAID GOK CALL FOR TALKS WITH COMPANIES RE REMAINING 40 PERCENT PARTICIPATION (GOK ALREADY HOLDS 60 PERCENT) SHOULD COME AS NO SURPRISE SINCE GULF AND BP TOLD LAST DECEMBER SUCH TALKS WOULD BE COMING SOONER OR LATER. ATEEQI ADDED RESULTS OF GOK-GULF-BP

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DISCUSSIONS WOULD NOT BE KNOWN UNTIL THEY TOOK PLACE, AND, HE

EMPHASIZED, ANYTHING SAID BY PRESS "OR IN ANY OTHER STATEMENTS"
BEYOND THIS "ARE COMPLETELY IRREVLEVANT".

3. I OBSERVED THAT GOK CALL OFR TALKS WITH COMPANIES NEVERTHELESS
DID SEEM A BIT PRECIPITATE. WHY SO? ATEEQI REITERATED CALL WAS
"NOT SUDDEN"; COMPANIES WARE SINCE DECEMBER SUBJECT BOUND TO COME
UP. ATEEQI MAINTAINED 100 PERCENT KUWAITI OWNERSHIP WAS NO
LONGER A PROBLEM, SINCE COST OF OIL TO COMPANIES WAS NOW RPT NOW
NEARLY THE MARKET PRICE. THUS GIVING UP REMAINING 40 PERCENT
MADE NO DIFFERENCE. (NOTE: ATEEQI PRESUMABLY MEANS THAT WITH
PRESENT PREVAILING SINGLE PRICE SYSTEM, COMPANIES OWN NO MORE
EQUITY OIL ANYWAY, AND COMPANIES SHOULD BE ABLE CONTINUE TO MAIN-
TAIN CURRENT SLIM MARGIN OF PROFIT ON KUWAITI OIL).

4. I ASKED ATEEQI IF RECENT BLOW-UP IN NATIONAL ASSEMBLY (KUWAIT
1034) HAD SPURRED GOK TO ACTION ON NATIONALIZATION QUESTION. ASK-
ING THAT FOLLOWING REMARKS BE HELD IN CONFIDENCE, ATEEQI ADMITTED
GOK BEING PRESSED BY OTHER OPEC MEMBERS TO COMPLETE KUWAITI
TAKE-OVER OF KOC. HOWEVER, GOK NOT RPT NOT GOING TO B PRODDED INTO
FINALIZING ARRANGEMENTS FOR 100 PERCENT OWNERSHIP UNTIL CERTAIN
FACTS BECAME KNOWN. SPECIFICALLY, HE SAID, SAUDIS KEPT SAYING
THEY HAD TAKEN OVER 100 PERCENT OF ARAMCO BUT THEY HD NOT GIVEN
KUWAITIS ANY INFORMATION ON DETAILS. UNTIL THEY DID, KUWAIT WOULD
NOT BE IN ANY HURRY REACH NEW FINAL AGREEMENT. ON OTHER HAND,
ATEEQI ADDED, GOK DID NOT INTEND TO WAIT TO ADDRESS NATIONALIZATION
ISSUE UNTIL "PRESSURES" GREW TO POINT WHERE IT LOOKED AS IF GOK
WAS SUCCUMBING TO THEM. I ASKED IF "PRESSURES" CAME FROM INSIDE
KUWAIT. ATEEQI REPLIED FROM BOTH INSIDE AND OUTSIDE. ATEEQI SAID
PRIME MINISTER HAD DECLARED TO CABINET IT WAS NOW HIGH TIME TO
CALL FOR TALKS WITH COMPANIES BEFORE PRESSURES BECAME UNMANAGEABLE.

5. COMMENT: I THINK PRESENT SITUATION IS NOW PRETTY CLEAR:
PRESSURES ON KUWAIT AT VIENNA AND ALGIERS HAVE BEEN BUILDING
UP TO IMPOSE 100 PERCENT ON KOC. AT SAME TIME NATIONAL ASSEMBLY
CRISIS PUT NEW DISQUIETING LIGHT ON INTENSIFYING INTERNAL
POLITICAL PRESSURES ON GOK, WITH NATIONALIZATION A TAILOR MADE
ISSUE FOR THOSE WISHING EMBARRASS THE GOVERNMENT. WITH ITS SUDDEN
CALL FOR TALKS WITH COMPANIES (GULF AND BP REPS WILL ARRIVE KUWAIT
MARCH 11), GOK TRYING PREEMPTIVE STRIKE. WHILE WE STILL THINK
KUWAITI LEADERSHIP DOES NOT HAVE MUCH STOMACH FOR FULL NATION-
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ALIZATION, NEVERTHELESS DIE SEEMS TO BE CAST.

6. DEPT RPT OTHER ADDRESSEES AS DESIRED.
STOLTZFUS
UNQTE INGERSOLL

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